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Weekly Highlights & Hot Bites, #48 2007

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Report Highlights:

PEC floats wheat import tender, *New farm policy tabled in Parliament*, *Major sugar producers up against India's export sops*, *Ethanol may get excise cut boost*, *Monsanto to dabble in pulses and wheat*, *Exporters threaten not to source shrimp from farms*, *India to set up exclusive fruit and vegetable chain abroad*, *BANGLADESH: Food security scare: Five lakh (500,000) Mt rice sought from donors*.

Includes PSD Changes: No
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Trade Report
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Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

PEC FLOATS WHEAT IMPORT TENDER

After MMTC, it is the turn of yet another state-run trading firm, PEC Ltd., to float a wheat import tender on behalf of the government. The PEC tender issued on November 26 for 350,000 tons is for arrival before March 10, 2008. The bid offers should be valid until December 8. The earlier MMTC tender of November 12 awarded contracts for the supply of 342,500 tons to Cargill (180,000) and Glencore (162,500 tons) at a weighted average price of \$400.19 per ton (C&F). During the current Indian Financial year, the government has so far finalized imports of 1.65 million tons of wheat through STC and MMTC. (Source: Business Line, 11/27/07)

NEW FARM POLICY TABLED IN PARLIAMENT

In the face of diminishing interest from youth in the farm sector and dwindling agriculture land reserves due to rapid urbanization, the government's new farm policy has sought to improve economic viability of agriculture and review the Land Acquisition Act to conserve land. Bridging the yawning gap in the per capita income between the farm and the non-farm sector is the central theme of the Policy. The Policy tabled by Agriculture Minister Pawar in the Lok Sabha (lower House of the Parliament) on November 26 has enlisted major goals such as:

- Improve economic viability of farming by increasing farmers' income
- Protect and improve land, water, bio-diversity and genetic resources to increase agricultural production.
- Develop support services such as seeds, irrigation, power, and fertilizers
- Provide price and trade policy mechanisms to increase farmers' income.
- Complete the unfinished agenda of land reforms.

The Policy, based on the recommendations of the M.S. Swaminathan-led National Commission for Farmers, has also decided to broaden the definition of a farmer. (Source: Hindustan Times, 11/29/07)

Post Comment: The full report can be accessed at:
<http://www.agricoop.nic.in/NPF/npff2007.pdf>

MAJOR SUGAR PRODUCERS UP AGAINST INDIA'S EXPORT SOPS

Leading world sugar producers Australia and Thailand have approached the World Trade Organization to seek details from India on a subsidy to sugar exporters. The issue was discussed in Geneva on November 22, 2007, where India was asked to furnish full details of the recent subsidy for sugar exports. The Indian government has been compensating exporters to the extent of Rs. 1,350 per ton for coastal states and Rs. 1450 per ton for other states as a transport subsidy. India has argued that they are just defraying the transport

cost, which should not be treated as an export subsidy. Commerce Minister Kamal Nath said that the transport subsidies given by India to its sugar producers are compliant with WTO norms. He informed that India will write to Australia and Thailand explaining the issue. (Source: Business Standard 11/26/07 and 11/27/07)

ETHANOL MAY GET EXCISE CUT BOOST

The government is likely to slash the 16 percent central excise duty on ethanol and classify it as a declared good in a bid to impose a uniform levy/tax across the country. A recently constituted group of ministers are expected to consider this Ministry of Petroleum proposal.

The duty cut will be an incentive to the oil companies to increase offtake of ethanol for blending with petrol. (Source: Economic Times 11/26/07)

MONSANTO TO DABBLE IN PULSES AND WHEAT

Monsanto's business strategy for India is not just confined to genetically modified cotton as the biotech company is also open to look at key grains such as wheat and pulses. "Monsanto is willing to partner with public research institutes to develop technology for crops of importance to India," Raj Ketkar, Deputy Managing Director, Mahyco Monsanto Biotech (MMBL) said. MMTL is an equal joint venture between Monsanto and the Maharashtra Hybrid Seed Company (Mahyco). He said the company is already working on fruit segment, especially papaya. "We recently signed a pact with Tamil Nadu Agricultural University and have given them a royalty-free license of genetically modified papaya," he said. On other crops such as pulses and wheat, which India imports, he said, "We are willing to study these crops." However, he explained that research and development on these crops would take years to complete because of their yield complexities, diseases, climatic conditions and other parameters that differ from county to country. (Source: Business Standard, 11/26/07)

EXPORTERS THREATEN NOT TO SOURCE SHRIMP FROM FARMS

An effort of the government's trade promotion body, Marine Products Export Development Authority (MPEDA) to clamp down on a practice of shipping shrimp with antibiotic residues which threaten India's global shrimp trade has resulted in exporters threatening to stop sourcing shrimp from aquaculture farms. One of the exporters said it was aquaculture farms and not processors or exporters who were to blame for antibiotic residues in shrimp. In a letter to six major exporters, whose shipments were either detained or rejected by authorities in the European Union because their shrimp had antibiotic residues, MPEDA said it would be constrained to withdraw the registration granted to their processing plans and scrap their export licenses if more of their shipments were rejected for the same reason. (Source: Mint, 11/22/07)

INDIA TO SET UP EXCLUSIVE FRUIT AND VEGETABLE CHAIN ABROAD

India could soon have its first overseas specialized fruits and vegetables wholesale chain. A Chicago based \$100 million fresh fruits and vegetables wholesale company 'Strube Celery and Company' has shown interest in setting up business in India. The group has made presentations to the Department of Industrial Policy and Promotion (DIPP) in the Ministry of Commerce and Industry. The company can face opposition from the local wholesale dealers and intermediaries. Domestic companies like Tata Chemicals Limited and Bharti Enterprises have signed overseas companies for procuring fresh produce from farmers. India is the world's largest producer of fruits and vegetables, however the horticulture sector faces large post harvest losses due to lack of proper storage and transportation facilities. Industry analysts say that with the entry of such players in the back end, the distribution and storage facilities are expected to improve. Furthermore, integrated distribution and storage

infrastructure will help in generating better farm income for farmers and a better deal for retailers. (Source: The Financial Express, 11/29/07)

BANGLADESH: FOOD SECURITY SCARE: FIVE LAKH (500,000) MT RICE SOUGHT FROM DONORS

Bangladesh yesterday sought 500,000 metric tons (MT) of rice from the international community as assistance for tackling any possible food crisis in the country because of the recent spate of floods and the cyclone. Food and Disaster Management Adviser, Tapan Chowdhury said this after a meeting with representatives of different donor countries and agencies in his office. Briefing reporters, he said that the donors have been requested to procure the rice from the international market in a bid to avert a shortage on the local market. Quoting the Food Adviser at the meeting, the UN official said shocks of two consecutive floods and the cyclone meant that the overall stock of food in Bangladesh is diminished and it is very important that the donors help to keep it at the appropriate level. "So we are appealing to the international community to give food the top priority in terms of assistance to the flood and cyclone affected people of Bangladesh," she said.

Food Ministry sources said that the government needs at least 1.1 million metric tons of food grains for the next seven months for different relief programs. The adviser added that although the government is not sensing any shortage of food right now, a stable stock is required for preventing any possible crisis that might occur in March of the next year. As it takes a long time to import rice, he asked the donors to provide Bangladesh with rice as assistance. At the meeting it was disclosed that World Food Program (WFP) promised to provide 71,000 MT of rice, while India and the US promised 50,000 MT, and 25,000 MT respectively. According to the decision, WFP will be the lead agency for food and logistics, UNICEF for water, sanitation, education and protection, WHO for health, and UNDP for early recovery and shelters. (Source: The Daily Star, 11/28/07)

(Note: Recent cyclone Sidr caused an estimated one million tons loss of Aman rice harvest in the country)

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